



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
BREATHITT COUNTY SHERIFF**

Calendar Year 1999

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Robert E. Cornett, Breathitt County Judge/Executive

Honorable John L. Turner, Breathitt County Sheriff

Members of the Breathitt County Fiscal Court

The enclosed report prepared by Tamara Rice, Certified Public Accountant, presents the statement of receipts, disbursements, and excess fees of the Sheriff of Breathitt County, Kentucky, as of December 31, 1999.

We engaged Tamara Rice, CPA, to perform the financial audit of this statement. We worked closely with the firm during our report review process; the resulting audit comports with our reporting format. As part of the audit, Tamara Rice, CPA, evaluated the Breathitt County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure

**REPORT OF THE AUDIT EXAMINATION OF THE
BREATHITT COUNTY SHERIFF**

Calendar Year 1999

**TAMARA L. RICE
CERTIFIED PUBLIC ACCOUNTANT
147 RICHMOND ROAD
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EXECUTIVE SUMMARY

BREATHITT COUNTY JOHN L. TURNER, SHERIFF CALENDAR YEAR 1999 FEE AUDIT

On September 23, 2000 fieldwork was completed on the 1999 Breathitt County Sheriff fee audit. An unqualified opinion was rendered on the financial statements. No reportable conditions relating to the audit of the financial statements were reported.

Deposits

The Sheriff's deposits were fully insured and collateralized as of December 31, 1999.

Excess Fees:

Excess fees in the amount of \$30,506 were turned over to the County Treasurer and accepted by the Fiscal Court on February 8, 2000.

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES	3
NOTES TO FINANCIAL STATEMENT	5
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	9

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To the People of Kentucky
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Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the Sheriff of Breathitt County Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Sheriff for the year ended December 31, 1999, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Robert E. Cornett, County Judge/Executive
Honorable John L. Turner, Breathitt County Sheriff
Members of the Breathitt County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated September 23, 2000, on our consideration of the Sheriff's compliance with laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink that reads "Tamara L. Rice". The script is cursive and fluid.

Tamara L. Rice
Certified Public Accountant

Audit fieldwork completed -
September 23, 2000

BREATHITT COUNTY
JOHN L. TURNER, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1999

Receipts

Federal Grants		\$	5,000
State Grants			7,676
State Fees For Services:			
Finance and Administration Cabinet			28,713
Circuit Court Clerk:			
Sheriff Security Service	\$	5,345	
Fines/Fees Collected		<u>1,040</u>	6,385
Fiscal Court			58,248
County Clerk - Delinquent Taxes			6,124
Commission On Taxes Collected			109,462
Fees Collected For Services:			
Auto Inspections	\$	4,275	
Accident /Police Reports		154	
Serving Papers		<u>16,295</u>	20,724
Other Income			
Carrying Concealed Deadly Weapon Permits	\$	2,858	
Interest Earned		<u>1,438</u>	4,296
Borrowed Money:			
State Advancement			<u>19,188</u>
Gross Receipts Carried Forward		\$	265,816

The accompanying notes are an integral part of the financial statement.

BREATHITT COUNTY
 JOHN L. TURNER, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 1999
 (Continued)

Gross Receipts Brought Forward \$ 265,816

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Gross Salaries \$ 104,403

Employee Benefits-

Employer's Share Social Security 10,868

Employer's Share Retirement 547

Contracted Services-

Advertising 82

Radio Repairs 516

Vehicle Maintenance and Repairs 12,729

Supplies and Materials-

Office Materials and Supplies 1,832

Deputies Supplies 6,176

Other Charges-

Training 3,216

Refunds 120

Postage 874

Carrying Concealed Deadly Weapon Permits 1,750

Bond 787

Miscellaneous 1,714

Capital Outlay-

Equipment \$ 5,588

Vehicle Lease 11,281 16,869

Debt Service:

State Advancement 19,188

Total Disbursements

181,671

Net Receipts

\$ 84,145

Less: Statutory Maximum

53,639

Excess Fees Due County for Calendar Year 1999

\$ 30,506

Payments to County Treasurer- December 8, 2000

30,506

Balance Due at Completion of Audit

\$ 0

The accompanying notes are an integral part of the financial statement.

BREATHITT COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employee Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement System. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

BREATHITT COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 1999
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits:

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. As of December 9, 1999, the uncollateralized amount on deposit was \$62,447. The pledged securities and FDIC insurance did not equal or exceed the amount on deposit.

Note 4. Lease

The office of the Sheriff is committed to a lease agreement for two (2) cruisers. The agreement requires annual payments of \$11,281 for three (3) years to be completed on December 23, 2002. The total balance of the agreement is \$22,562 as of December 31, 1999.

Note 5. Grants

The office of the Sheriff received a Federal Local Law Enforcement Equipment Grant during calendar year 1999 in the amount of \$5,000. The Sheriff's office contributed \$556 in matching funds. The entire grant was expended for the purchase of equipment during calendar year 1999.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Breathitt County Sheriff as of December 31, 1999, and have issued our report thereon dated September 23, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Breathitt County Sheriff's financial statement as of December 31, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Breathitt County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement.

We concluded that the internal control structure lacks a proper segregation of duties. Due to the entity's diversity of operations, small size and budget restrictions, there is limited staff size, which prevents an adequate segregation of duties. The Sheriff has statutory authority to assume the role of custodian of monetary assets as well as recorder of transactions and preparer of financial statements. However, the lack of segregation of duties is hereby noted as a reportable condition.

Honorable Robert E. Cornett, County Judge/Executive
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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the lack of adequate segregation of duties to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink that reads "Tamara L. Rice". The script is cursive and fluid.

Tamara L. Rice
Certified Public Accountant

Audit fieldwork completed -
September 23, 2000

